

## Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 ISO-00 COME-00 INT-05 OMB-01

TRSE-00 XMB-02 AID-05 IGA-01 IO-10 SS-15 SP-02 L-02

H-02 NSC-05 CIAE-00 DODE-00 INR-07 NSAE-00 PA-01

USIA-06 PRS-01 GSA-01 STR-04 CIEP-01 /097 W

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P R 251653Z APR 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 0538

INFO AMEMBASSY LA PAZ

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FOR: EB/ISM DUX

E.O. 11652: N/A

TAGS: EMIN, UK

SUBJ: TIN: ITC BUFFER STOCK FINANCING

REF: (A) LONDON 6192, (B) STATE 9325, (C) LA PAZ 2816

1. REF (A) TRANSMITTED EXCERPTS FROM THE INTERNATIONAL TIN COUNCIL (ITC) PRESS COMMUNIQUE OF APRIL 18 DEALING WITH GSA DISPOSALS, BUFFER STOCK OPERATIONS AND CONTROLS ON EXPORTS OF TIN ADOPTED BY THE ITC IN ITS RECENT SESSION. THIS CABLE PROVIDES COMMENTS ON THE BASIS OF CONVERSATIONS WITH ITC OFFICIALS ON APRIL 24 AND 25.

2. RE PARA 2 OF REF (B), THE ITC VOTED TO CALL UP CONTRIBUTIONS DUE THE BUFFER STOCK UNDER ARTICLE 21 OF THE AGREEMENT. ACCORDING TO ITC EXECUTIVE CHAIRMAN ALLEN, THESE CALLINGS CONSISTED OF SOME POUNDS 10.1 MILLION IN REDISTRIBUTED PROCEEDS FROM EARLIER BUFFER STOCK SALES PLUS ABOUT POUNDS 3.4 IN MEMBER OBLIGATIONS SUBSCRIBED BUT NEVER CALLED, TO TOTAL THE POUNDS 13.5 MILLION MENTIONED IN THE COMMUNIQUE. BOTH ALLEN AND

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BUFFER STOCK MANAGER ADNAN INSISTED THAT REDISTRIBUTION

OF FUNDS FROM EARLIER SALES IN EFFECT REPRESENTED NOTHING MORE THAN A RETURN OF IDLE FUNDS TO MEMBERS, SUBJECT TO RECALL IF AND WHEN SUCH FUNDS NEEDED.

3. RE PARA 3 OF REF (C), ALLEN AND ADNAN SEPARATELY DENIED THAT THE ITC RECENTLY "UNSUCCESSFULLY ATTEMPTED TO BORROW" IN THE U.S. FINANCIAL MARKET. ADNAN SAID THE SHOE IS ON THE OTHER FOOT, WITH U.S. AND OTHER FINANCE MEN ALMOST DAILY ATTEMPTING TO PLACE FUNDS WITH THE ITC. HE SAID TYPICALLY SUCH OFFERS ARE IN THE BELOW \$10 MILLION RANGE AND THAT THE ITC HAS NO INTEREST IN THEM. (HE NOTED--PERHAPS ONLY HALF JOKINGLY-- THAT A LOAN OF \$50 MILLION INSTEAD OF \$5 MILLION MIGHT ENABLE THE ITC TO CREATE A BUFFER STOCK LARGE ENOUGH TO PROVIDE IRON CLAD COLLATERAL IN THE FORM OF AN EASILY DEFENSIBLE FLOOR PRICE.) ALLEN SUGGESTED THAT THE RUMOR REPORTED BY LA PAZ MIGHT HAVE DERIVED FROM THE ITC'S NEGOTIATION OF THE POUNDS 8 MILLION STAND-BY CREDIT FACILITY MENTIONED IN THE COMMUNIQUE. HE SAID THE ITC HAD INDEED TALKED TO U.S. BANKS BUT HAD GOTTEN BETTER TERMS FROM A LONDON CONSORTIUM. HE SAID THIS CREDIT LINE WAS NOT NEGOTIATED DURING THE PRESENT PRICE DECLINE.

4. TO THE EXTENT THAT THE ITC BUFFER STOCK MIGHT BE IN TROUBLE, AT LEAST FOR NOW, THIS SEEMS TO BE DUE TO PRICE DIFFERENTIALS OVER THE SPAN OF THE AGREEMENT. WHEN ALL COMPULSORY CONTRIBUTIONS DUE ARE PAID IN FULL, THE ITC WILL HAVE ONLY SUFFICIENT FUNDS (WITHOUT DRAWING DOWN THE STAND-BY) TO PURCHASE ONLY 12,000 TONS AT TODAY'S PRICES RATHER THAN THE 20,000 TONS AUTHORIZED. THIS IS SO, ALLEN SAID, SINCE CONTRIBUTIONS ARE TIED TO THE FLOOR PRICE IN EFFECT AT THE START OF THE 4TH AGREEMENT IN 1971. EVEN WITH PROFITS FROM SALES AT HIGHER PRICES ADDED IN, ADNAN NOW MUST BUY AT A CONSIDERABLY HIGHER PRICE, SO THE POTENTIAL SIZE OF HIS STOCK HAS CONSIDERABLY DEPRECIATED.  
RICHARDSON

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## Message Attributes

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